IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-315

Supreme Court, U.
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MICHAEL RODAK, JR.,

DEEPSOUTH PACKING CO., INC., *Petitioner*

v.

THE LAITRAM CORPORATION, *Respondent*

On Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit

REPLY BRIEF FOR THE PETITIONER

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I. INTRODUCTION

However respondent seeks to distort it, the issue in this case remains whether the manufacture in the United States of *unassembled parts*,* which *for the first time* are assembled into a combination *outside* the United States, infringes a United States patent which claims—not the parts—but only the combination.[1]

* Unless otherwise indicated, all emphasis is supplied.

[1] Both Courts below based their decisions on these facts and they are admitted in respondent's "Restatement of Questions" (Res. Br. 2). Thus respondent only beclouds the issue by immaterial reference to terms ("the machine", "complete", etc.; Res. Br. 16, 17, 19, 20) purportedly used in the negotiations between petitioner and its Brazilian customer. Obviously, such terms were neither intended, nor found by the Courts below, to be precise legal definitions.

Petitioner's Brief demonstrates the correctness of the prevailing law in the federal courts resolving that precise issue in the *negative*. Such law stood uncontradicted for thirty-six years[2] prior to the decision of the Court of Appeals below, and through the 1952 codification of the patent law.[3] The prevailing rule has been uniformly applied in the foursquare decisions of three circuit courts of appeals (Pet. Br. 22-29) and is founded upon the express terms of 35 U.S.C. § 271(a) (Pet Br. 34-39) and a long line of consistent decisions of this Court setting forth the purpose of patents in general (Pet. Br. 17-19) and the nature of a combination patent in particular (Pet. Br. 19-22).

Respondent's brief brushes aside the controlling law and pointedly is a plea for a contrary result based upon misplaced concepts of "public policy". We say "misplaced" because the policy espoused by respondent is not applicable to the issue. Rather, the rule of law which for so long has been uniformly applied by the courts is undergirded not only by sound legal principles but also by the public policy which *is* germane to the issue.

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[2] Following the decision of *Radio Corporation of America* v. *Andrea*, (*Andrea I*) 79 F.2d 626 (2d Cir. 1935).

[3] "If anyone is inclined despite other evidence to the contrary to attribute to Congress a purpose to accomplish any farreaching changes in the substantive law by this enactment, he should take note that just before the bill was passed in the Senate, Senator Saltonstall asked on the floor, 'Does the bill change the law in any way or *only codify the present patent laws?*' Senator McCarran, Chairman of the Judiciary Committee which had been in charge of the bill for the Senate, replied, 'It codifies the present patent laws.' 98 Cong. Rec. 9323 (July 4, 1952)." Concurring opinion of Mr. Justice Black in *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 347, 5 L.ed.2d. 592, 600 (1961).

II. THE RULE OF THE ANDREA, COLD METAL AND HEWITT-ROBBINS CASES IS SOUNDLY BASED IN POLICY AS WELL AS LAW

Andrea I states that "no wrong is done a patentee until the *combination* is formed". That conclusion is eminently correct. It is the combination which is set forth in the claims of the patents in suit. And it is the *claims* which define the "patented invention" within the meaning of 35 U.S.C. § 271(a). However, respondent argues that the *Andrea* conclusion that "no wrong is done the patentee until the combination is formed" is

> "legally illogical, practically unrealistic and economically discriminatory, as the *wrong is done when economic gain accrues to the infringer,* even though the combination may not be 'finally formed' " (Res. Br. 13).

In its detailed argument (Res. Br. 21-23) respondent equates "economic effects on Laitram . . . within the United States" (Res. Br. 22) with the "wrong" of patent infringement. This argument is wholly unsound. It overlooks the fact that an "economic effect" upon a patentee can result from the "right" of lawful, noninfringing competition as well as the "wrong" of patent infringement.

While the claims define the "patented invention", the specification *discloses* a larger body of technology surrounding the invention. Basic to the patent system is the premise that all such technology *outside* of the scope of the claims is made *immediately* available to the public. As this Court has stated:

> "The primary purpose of our patent system is not reward of the individual but the advancement of the arts and sciences. Its inducement is directed

> to *disclosure* of advances in knowledge which will be beneficial to society; it is not a certificate of merit, but an incentive to disclosure." *Sinclair & Carroll Co.* v. *Interchemical Corp.* 325 U.S. 327, 330-331, 89 L.ed. 1644, 1647 (1944)[4]

All may compete freely and realize unlimited profit from such technology *right up to the limit of the claims.* There is no *wrong* in such competition and the profit therefrom does not enure to the benefit of the patentee.

In Mr. Justice Black's dissenting opinion in *Graver Tank & Mfg. Co.* v. *Linde Air Products Co.*, 339 U.S. 605, 617-618, 94 L.ed. 1097, 1107 (1950) it was stated:

> "A host of prior cases, to some of which I have referred, have treated the 17-year monopoly authorized by valid patents as a narrow exception to our competitive enterprise system. For that reason, they have emphasized the importance of leaving business men free to *utilize all knowledge not preempted by the precise language of a patent claim.* E.g., Sontag Chain Stores Co. v. National Nut Co., 310 U.S.281, 84 L.ed. 1204, 60 S.Ct. 961, and cases there cited. In the Sontag Case, Mr. Justice McReynolds, speaking for a unanimous Court, said in part: 'In the case under consideration the patentee might have included in the application for the original patent, claims broad enough to embrace petitioner's accused machine, but did not. This gave the public to understand' that *whatever was not claimed 'did not come within his patent* and might *rightfully* be made by anyone.'" Id. 310 US at 293, 84 L.ed. 1212, 60 S. Ct. 961[5]

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[4] See also *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661 88 L.ed. 396 (1944). Pet. Br. 17, 18.

[5] While the statement was made in dissent, the principle expressed is in accordance with the established law of this Court.

In *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, 230-231, 11 L.ed. 2d 661, 666 (1964), this Court said:

> "Thus, the patent system is one in which uniform federal standards are carefully used to promote invention while at the same time *preserving free competition.*"

Again, in *Lear* v. *Atkins*, 395 U.S. 653, 663, 23 L.ed. 2d 610, 618 (1969) it was stated:

> "... the Sherman Act made it clear that the grant of monopoly power to a patent owner constituted a limited exception to *the general federal policy favoring free competition.* Kinsman v. Parkhurst, 18 How 289, L.ed. 385 (1856)."

Free competition in that which lies outside the patent claims (outside the patented invention) is a "right" even more fundamental than the "wrong" of infringement by making, using or selling that which lies within the patented claims.

III. AFFIRMANCE OF THE COURT BELOW NECESSARILY WOULD EXTEND THE PATENT MONOPOLY

Affirmance of the decision of the Court below would result in an *extension* of the monopoly granted by patents beyond that which they now enjoy. It is now and always has been basic in the patent law that (1) United States patents have no extraterritorial effect and (2) combination patents cover only the patented combination and not the parts. To affirm the decision of the Court below necessarily would change at least one, if not both, of those established principles and most certainly would extend the patent monopoly.

If, as heretofore has been the law, a combination patent is to be restricted to the combination, then the manufacture in the United States of unassembled parts necessarily cannot be an infringement. To extend the

patent to reach the combination, which is made only in a foreign country, would ascribe to it extraterritorial effect.

On the other hand, if the reach of the patent is to be confined to the United States, as it always has been, there cannot be an infringement in this case unless a combination claim is extended to the parts. Only the parts are manufactured in the United States. The later manufacture of the combination abroad is immaterial.

Respondent would have this Court believe that an affirmance of the decision below would not result in an extension of the patent monopoly but can be justified on the basis of the term "makes" in the statute. In this respect, the reasoning of respondent as well as that of the Court of Appeals is wholly illogical. It is not the meaning of "makes" in Section 271(a) which controls, but whether that which is made is the "patented invention". "Makes" means to produce, to manufacture, to bring into being. The term concerns the action of producing and does not define the thing produced. While petitioner "makes" the constituent parts of the combination, it does not "make" the combination itself.[6] It is the combination which is the "patented invention" and it is made only in Brazil.[7]

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[6] Petitioner has not engrafted "assembly" as a qualifer onto the word "makes" (Res. Br. 15). By definition a "combination" is an "assembly" of elements. Apart from assembly there are only parts and no combination. The requirement for "assembly" of a combination is not a fabrication of petitioner but rather has been a consistent prerequisite of the decisions of this Court and the patent statutes.

[7] Respondent presents the same fallacious argument in respect to the word "sells". Again, the issue is not the meaning of the word "sells" but is whether the thing sold in the United States was the "patented invention". The place of sale (the United States or Brazil) of the unassembled parts is immaterial.

IV. RESPONDENT'S "ADDITIONAL SUBSTANTIVE POLICY CONSIDERATIONS" (Res. Br. 23 et seq.) ARE WITHOUT SUBSTANCE

Respondent argues that affirmance of the decision below would discourage easy evasion of combination patents. Free competition outside of the legitimate scope of the claims of any patent is no "evasion". Such activity is not "bad" or in any way damaging to the patent system.

Contrary to respondent's argument, discrimination between physically large and physically small combinations would not result from a reversal of the decision below. Whether the combination is small or large, a United States manufacturer of parts does not infringe if he ships one, some or all of such parts abroad so long as there is no domestic assembly.

Respondent's argument with respect to the "policy against multiple lawsuits" is diametrically out of phase with reality. Under the prevailing and correct rule of *Andrea I*, there can be *only one* suit. That would be against the foreign manufacturer *of the combination* under the foreign patent.[8] The United States patent does not cover the activities either of the domestic manufacturer of the parts or the foreign manufacturer of the combination. Affirmance of the decision below, far from preventing multiple litigation, will create a new cause of action against a domestic manufacturer

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[8] Respondent's allegation (Res. Br. 22, f.n. 31) concerning a Brazilian infringement action is a half truth. The fact is that the Brazilian litigation (Pet. Br. 41, f.n. 36) was a declaratory action commenced by the harassed Brazilian customer.

based upon activities which heretofore would not have infringed a United States patent.[9]

Respondent's argument in Section IV-D (Res. Br. 25-26) is also fallacious. Respondent is really asking that United States patents to American citizens be extended to overlap foreign patents. There is no "policy" which supports the extension of the reach of a United States patent beyond the territorial limits of the United States. To protect their activities in foreign countries, American patentees must look to foreign patents.

V. THERE IS NO CONTRIBUTORY INFRINGEMENT

The effort to fabricate contributory infringement on the facts of this case is a tacit admission that direct infringement does not exist. Moreover, petitioner's brief demonstrates why there is no contributory infringement either. (Pet. Br. 30-34)

There has been no direct infringement in the United States and without such direct infringement the manufacture and sale of parts cannot be a contributory infringement. *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 5 L. ed 2d 592 (1961).

Respondent argues, in the teeth of the *Aro* case, that there need be no direct infringement involving the *particular* parts, the manufacture of which is charged to be a contributory infringement. Rather, respondent illogically argues that the alleged direct infringement by petitioner as a consequence of wholly unrelated

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[9] Unless reversed, the lower court's holding of infringement by making or selling less than the "patented invention" will destroy the certainty which has existed for 37 years and will create uncertainties which may take even longer to restore. Where will this line be drawn? The Court of Appeals didn't know; it reserves this question. (A: 46)

earlier manufacture of the *combination* meets the requirement for direct infringement with respect to manufacture of the *parts* exported to Brazil. Whether or not petitioner has *in the past* directly infringed the patent is immaterial. The direct infringement that is required under the clear rule of the *Aro* case is the assembly in the United States of the *same* parts which are manufactured for shipment abroad. The fact of assembly in the United States of *other* parts at some earlier time is immaterial.

Respondent's second argument is equally without merit. The statutory language "knowing the same to be especially made or especially adapted for use in an infringement of such patent" does not merely require that the parts be *capable* of use in an infringement. Rather, this Court in *Aro* I expressly required that the parts *actually* be used in an infringement.

The requirement for a direct infringement under Section 271(c) is not met by any assembly and use abroad. Since a United States patent has no extraterritorial effect, it cannot and should not interfere with the assembly and use of the patented combination in foreign countries. Moreover, there is no "policy" against United States manufacturers profiting from the manufacture and sale in the United States of one, some or all of the unpatented parts which are used abroad for that combination. Such activity in the United States is not itself within the scope of the patent and does not contribute to the infringement of the patent, i.e., making, using or selling *"within the United States"* (35 U.S.C. § 271 (a)). If it contributes to anything, it is only to the *lawful* use of the combination abroad. This situation contrasts sharply with that involving direct infringement by assembly of the parts in

the United States. In that case there would be a "wrong" and the manufacturer of the parts in the United States by someone other than the direct infringer would *contribute* to that "wrong". However, manufacture of the machine *outside* of the United States is not a "wrong" and to contribute in the United States to that foreign manufacture is not a contribution to a "wrong." It is not a tort to contribute to a "right"

For the same reason, and contrary to Respondent's incorrect Argument (Res. Br. 32, f.n. 50), manufacture of parts prior to expiration of a patent for assembly after expiration would *not* be contributory infringement. As early as in *White* v. *Walbridge,* 46 Fed. 526 (D. Vt. 1891) it was held:

> "The defendant has on hand and is making more lens-holder blanks, which can be completed into those that would infringe or those that would not; and has advertised that he would furnish those of the patent at reduced prices after the expiration of the patent. The counsel for the orator argues that this part manufacture during the term of the patent, *with intent to complete into the patented article immediately on the expiration of the patent,* should be restrained, because a partaker in an infringement may be holden for it. This argument, however, fails, as to this, for the reason that *what is being done and so intended will never be an infringement.* Till completed, these things would not infringe, and *when completed the patent will not be in force to be infringed.* The orator has a monopoly of making, using, and vending to others to be used, during the term only of the patent. Every one else has the *right* to do anything as to that during that term *which stops short of the patented article itself,* and to come to that as soon as may be after the expiration of the term by any preparation which does not amount to that before. This leaves to him all that his patent covers, and *to others what it does not cover.*"

VI. CONCLUSION

This Court should adhere to the rule of law which has universally been applicable in the federal courts for the past thirty seven years and should reverse the isolated and unjustified departure from that rule by the Court below.

Respectfully submitted,

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